

Service Quality Gap of Foreign Banks in India using PZB Service Quality Model – an Empirical Study

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Abstract. Objectives: The aim of the study was to investigate the factors that are associated with customer satisfaction among the customers of Indian Foreign Banks in Tamil Nadu. The customer satisfaction was evaluated by applying Gap Model of service quality proposed by Parasuraman, Zeithaml, and Berry.

Methods: A survey using structured questionnaire was conducted among 275 customers in Tamil Nadu, India, to measure the five gaps proposed by the model. The differences between the perceived quality and the services provided were analyzed with parameters such as Need Analysis, Service Features, Infrastructure and Behavior of Bank personnel. Result: After analyzing each factor on Customer Satisfaction parameters the most important one was inferred. Conclusions: Service gap can be a useful framework in assessing quality of care and product offerings provided to the customers.

Keywords: Service Quality Gaps, Customer Expectations, Customer Perceptions

1. Introduction

Customers today are more concerned about experiencing high quality services while banking. The expectation is not just receiving an investment or financing offer from the bank in form a commodity. They rather expect the bank to have a personality of its own with wider recognition, which delivers services in an atmosphere with entertainment and fun. In the banking sector the Quality of service is turning out as an important differentiator among the rivals.

Look-alike product offerings which are similarly priced have become the product characteristics from most of Banks these days. In today's fiercely competitive marketplace, the clear market winners will be the ones who provide excellent service quality. This would ensure bank's wellbeing by bring more new customers with an implication of more business from existing customers and in turn fewer lost customers, resulting in more protection from price competition and fewer mistakes that often compel repackaging the prevailing goods/services (Albrecht & Zemke, 1985).

One of the most prominent service quality models - called the Gaps Model has been developed by Zeithaml, Parasuraman and Berry (1990). The paper examines how much gap exists in the services offered by the foreign banks in Tamil Nadu, India. It also tries to understand what appropriate steps should be taken by the banks to enhance the service quality and thereby gearing up simultaneously to survive in this fiercely competitive environment^[1].

2. PZB Service Quality Model:

The service quality model is an essential part of service quality studies. The Disconfirmation Paradigm (Brady, 2001; Redman & Mathews, 1998), Parasuraman et al. (1985) enables the Service Quality Model to

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measure the differences between customers' perception and expectation associated with the service quality. According to the PZB model (Figure 1), there are five gaps:

I Gap - refers to the difference between customers' expected service and management's perceptions of customers' expectations. This gap means that management may not correctly perceive customer expectations.

II Gap - refers to the difference between management perceptions of customers' expectations and service quality specifications. This gap means that although the management may perceive the correct expectations of the customers but they fail to develop suitable and sufficient service quality specifications.

III Gap - refers to the difference between service quality specifications and the real service delivery. This gap means that although the service providers have developed the suitable and sufficient service quality specifications but they may not have the satisfactory service delivery mechanism in the real situation. For example, one of the reasons may be ill-trained employees employed to deliver satisfactory service.

IV Gap - refers to the difference between the service delivered and the external communication about the service with customers. In other words, the service providers may not have suitable and sufficient capability to communicate with the customers or the service providers may have exhausted all its commitments beyond which they can do anything more towards communication to customers or they may have failed to inform the customers of what they have done in its entirety.

V Gap - is the difference between consumer expectation and their perception of service quality - measured by the difference between what customers expect and what customers perceive about the service. [2]

3. Research Method

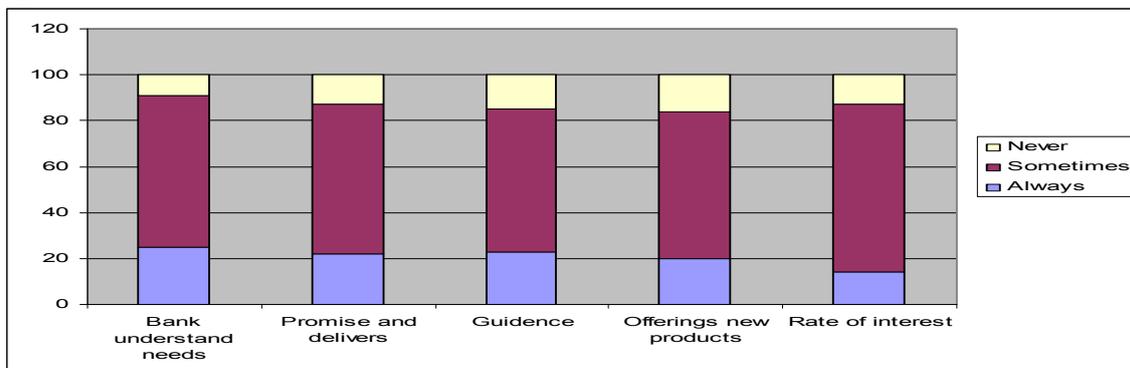
The study was carried out with an objective to understand the gap of the service offered by the foreign banks. Data collection was done through survey method. A sample size of 275 respondents who were the customers of foreign banks was selected randomly in Chennai city. A structured questionnaire with both open ended and close ended queries was used as data collection tool.

4. Need Analysis

Initially the researcher tried to evaluate different factors that help exploring how well the banks understand their customers. These different factors were later chosen for the study. These factors are explained as follows:

Majority of the customers opine that the foreign banks seldom understand their needs. They however have an urge to offer their products that can satisfy the customers most. But owing to lack of understanding of the customers' needs and preferences, the new products developed by these banks do not meet customer's expectation (ref chart 1). Besides, the rate of interest is also not taken into consideration as per the customers' requirements; this is however due to the compliance requirements of the statutory guidelines framed by the Reserve Bank of India.

Chart No. 1



Source: Un-published Student's Dissertation

4.1 Service Features

The next factor chosen was the services offered by the bank. It was surveyed and the result was evaluated as follows (ref chart 2). :

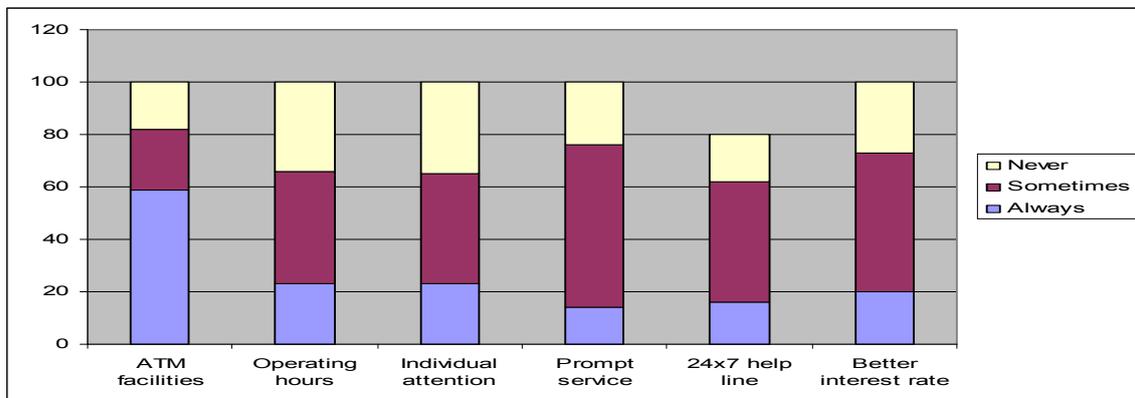
Majority of the respondents said that ATM facilities of these foreign banks are situated at convenient places, but quite a number of people are not aware of all these location as they are dispersed throughout city. Hence during emergency they have to use other banks' ATM services and fail to draw full limits. This makes them reluctant to use their foreign bank debit cards.

The majority of the respondents opine that operating hours of the banks are not inconvenient because the banks are situated near their office areas only, which they can access during working days alone and not able to access during off days. This forces the customer to open two accounts, one near their office areas and other accounts in those locations nearer to their residences for banking on off days.

The majority of respondents are satisfied with the individual attention given to them and the services delivered. The considerable number of people expects that the banks should pamper them as they are the loyal customers of these banks. The customers feel that the bank is neglecting them when they don't get proper care and attention.

Majority of the respondents said that banks always provide prompt services and takes sincere efforts in solving issues, but another majority of respondents want an instant service from the banks as they have come out from their office on permission to finish the banking job. They become restless if they have to wait for long to get the services from bank,

Majority of the respondents said that the bank provides 24x7 help line facility, but another majority is still unaware of 24x7 help line facilities, which implies that customer awareness regarding online service is yet not reached completely. This is mainly found among those customers who are staying in the residential complex near the banks. Majority of the respondents opine that some foreign banks provide better rate of interest than public sector banks.



Source: Un- published Student's Dissertation

4.2 Analysis of Important Factors

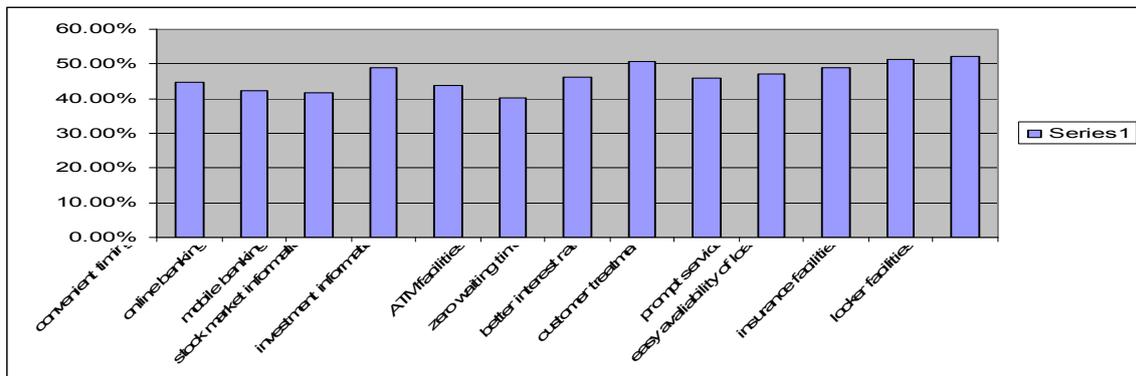
Those factors which are important for customers and which they expect these foreign banks should offer to the customers are as follows (ref chart 3):

The first feature which majority of the respondents have opined is that the foreign banks should provide ease of locker facility. In addition, the majority of the respondents opine that the bank should make insurance facilities available under the same roof so that they can get their insurance requirement for tax saving purpose. The majority of the respondents also said that the bank should have a provision to give better interest rate. The majority of the respondents said that the bank should make the process of loan availing facilities more customer friendly, specially the personal loan schemes.

Majority of the respondents wants prompt service, with zero waiting time, high quality customer treatment at customers' convenient timing. Majority of the respondents said that bank can start giving services on investment options for tax savings, pension scheme and so on. Majority of the respondents said

that online banking, mobile banking should be made more user friendly and secured; they also opined that these facilities along with ATM should help them to make the utility bills payments.

Chart 3.



Source: Un- published Student's Dissertation

5. Result - Gap Analysis Results:

Only 3 gaps were found out of five of PZB model on detailed analysis. The gaps are as follows:

I Gap: The first gap is between management perception and customer perception: management perceived that offering services at convenient timing, with full fledged ATM facilities, with zero waiting time and promptness may give customers higher level of satisfaction. The survey however reveals that the customers expected the banks to offer Insurance and locker facilities as well for higher satisfaction.

II Gap: The second gap is between Service Quality Specifications and Service Delivery: majority of the customers opine that the bank personnel were not well informed regarding all the services offered by the bank and hence they failed to attend customers' queries with promptness and give them the desired service on time.

III Gap: The third gap is between Perceived Service and Expected Service: a few customers feel that the schemes provided by the foreign banks are not beneficial. The majority of them feel that the dealing with the banks' online and mobile services are unsafe. In addition, few customers feel that the banks do not offer attractive new products or customer friendly rate of interest.

The researcher finds gaps between Service Quality Specifications and Service Delivery, Perceived Service and Expected Service and Customer Expectation and Management Perception. It is recommended that the bank should take up steps to find out customer expectation through regular feedbacks and develop products that satisfy their needs and wants. Before implementation the bank should conduct a pilot study to find if there is any gap defined by 5 different levels of PZB model and take appropriate steps to eliminate them.

The front office staffs should be trained in the delivery of the service lines offered by the banks so that they can give detailed product information to the walk-in customers. Also, the frontline officer should be trained in customer-care program so that they can efficiently handle issues of the existing customers. The branch can be refurbished to make it more customers friendly by using technical gadget.

6. Conclusion:

The research was to find out the gap between the services expected by customers and the actual services provided by foreign banks. Using need analysis with different factors the gaps between the expected and actual performance was explored and three gaps were found to exist. The strategies adopted by the foreign banks include enhancing Service features, employing helpful and courteous personnel; building Victorian architecture, good infra structure and so on to deliver complete satisfaction to the banks' customers.

The researcher found out services gap at 3 levels and expects the bank to concentrate on adding features like locker facilities, insurance facilities and so on to be provided to the customer. Besides, the researcher

concludes that the foreign banks have to concentrate on some features like ATM facility at convenient locations, courteous customer treatment , prompt service with quality information, safe online banking, as well as convenient timing to improve their existing account holders' satisfaction level and to attract potential customers in future. Foreign banks should improve the gap between service quality specification and service delivery in terms of promptness and courtliness in future.

7. Acknowledgements

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